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October 1987 Volume 49, Number 4

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The Woman CPA

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EDITOR'S NOTES

The State of *The Woman CPA*

Good does come from trials.

Last year at this time, the continued existence of *The Woman CPA* was uncertain. Critical to the journal's continued existence was the AWSCPA business meeting, held during the Kansas City JAM. In the days prior to JAM, there would have been no way anyone could have convinced me that good would ever come from the bylaw amendment that was to be proposed by ASWCPA during that business meeting. But a great deal of good has already come from having the attention focused on *The Woman CPA*, and there is a great deal more good in the offing. I'm excited about that. And you should be, too.

Many of you, perhaps most of you, do not know what has taken place in the past year and what is planned for the current year concerning *The Woman CPA*. This is your journal and I want to be certain that each of you knows the current status.

In late August 1986, I was informed that the Board of Directors of AWSCPA had proposed a bylaw amendment to delete the bylaws section that states that *The Woman CPA* is sponsored by AWSCPA. The reason given to me for the board's action was *The Woman CPA*'s deficit budget, and the board felt that the portion of the dues dedicated to *The Woman CPA* could be put to better use elsewhere.

The Woman CPA is a joint venture between AWSCPA and ASWA and the agreement states that either organization must give a six-month notice prior to withdrawal of sponsorship. Because of the six-month rule, the AWSCPA board was anxious to present the amendment at JAM, mail the ballot to members in November, and notify ASWA in December of its intent to withdraw. In this way, the AWSCPA budget for 1987-88 would not have to include funds for *The Woman CPA*.

The AWSCPA bylaws do not permit much activity to occur concerning bylaws amendments at a JAM business meeting. Bylaw amendments cannot be withdrawn, tabled, or voted upon at JAM, but they can be amended. Once a bylaw amendment has been proposed, a mail vote must be taken even though the amendment has been modified in such a way that the original intent has been nullified.

During the 1986 JAM, after much discussion, the proposed bylaw amendment was amended so it deleted only a phrase from the bylaw section rather than the whole section. Each AWSCPA member received a mail ballot that didn't make much sense unless one knew what had happened at JAM. (If there were a provision in the AWSCPA bylaws for withdrawing or tabling an amendment, the same action could have been accomplished without having to incur the expense of a mail ballot.)

I think I can safely say there was not a single member at the AWSCPA business meeting at Kansas City in 1986 that enjoyed being there. And I don't want to dwell on what happened then. I only mention it to establish that what happened in Kansas City, I believe, represented a turning point for *The Woman CPA*.

Why do I think it was a turning point?

First of all, those of us who were new to *The Woman CPA* staff became more aware of our financial responsibilities. We immediately reduced the number of pages that were printed in each issue and looked for other ways to economize as well as to increase advertising revenues. The end results of our efforts are reflected in the audited financial statements on pages 26-29. We are proud of the $7000 swing from the budgeted deficit of $3100 to the excess of $3900.

Second, our two societies appointed a joint committee to study *The Woman CPA*. We believe there are going to be great benefits to our members and to *The Woman CPA* from the work of the joint committee. The committee is composed of two board members representing ASWA, Peggy Dodd and Gayle Powelson; two board members representing AWSCPA, Mary Ann Correnti and Nancy Tang; and a chairman, the position I currently hold.

The charge to the committee was issued on June 29, 1987, and the committee has just begun to function, but it is important for you to know the direction the committee is headed. The charge to the committee appears below. As you can see, the charge is broad-based and the scope is wide.

What will the future bring? What will the committee recommend? It's too early to tell. But there is no doubt that there will be changes. And knowing there will be changes really thrills me, not just for the sake of changing but because I know any changes recommended by the committee will come from carefully weighed decisions based on thorough investigations. I, for one, can hardly wait!

Lillian C. Parrish

TWCPA
Joint Committee Charge

Objective: To review the content and study the financial aspects of the journal to determine if *The Woman CPA* can be more valuable for both organizations.

The committee should:

1. Define the purpose of TWCPA.
2. Define the editorial policy (content).
3. Define the financial objective of TWCPA.
4. Review all financial aspects (for example, advertising) of the journal with recommendations to the two organizations on how to meet the financial objective in keeping with the purpose and editorial policy of TWCPA.
5. Review the cover.

FASB's Proposed Statement of Cash Flows

Its Differential Impact on Companies and Auditors

By Hian C. Koh and Karen M. Collins

Introduction

In July of 1986, the Financial Accounting Standards Board issued an exposure draft, "Statement of Cash Flows" [FASB, 1986]. This draft proposes that companies be required to include a Statement of Cash Flows in place of the presently required Statement of Changes in Financial Position. The deadline for comments on this exposure draft was October 31, 1986. If a pronouncement is issued, which appears likely, the provisions of the exposure draft would be effective for fiscal periods ending after June 30, 1987. Also, comparative financial statements for prior periods would have to be restated.

The impact of FASB pronouncements on companies and auditing firms has not been uniform. Thus, it can be expected that the above pronouncement, if issued, will have a greater impact on some companies and auditing firms than on others. This article consists of two parts. The first part provides a discussion of the funds statement and the recent interest in cash flow reporting. The second part presents the details of the study along with the findings and possible implications.

Background

Funds statements have been prepared by business enterprises for a long time. In the 1800's, the funds statements were generally based on cash. However, preparers soon expanded the definition of funds and, by the early 1900's, funds statements were prepared using various concepts of funds, including cash, current assets, and working capital. By the 1920's, the primary definition of funds was working capital.

In 1971, APB Opinion No. 19 [AICPA, 1971] was issued. This required that corporate annual reports include a funds statement, to be called the Statement of Changes in Financial Position. The Opinion did not dictate one particular definition of funds but allowed each preparer to choose from the following definitions: cash, cash and temporary investments combined, quick assets, and working capital.

The FASB Conceptual Framework Project focused attention on the need for cash flow information. Then, Following Concepts Statement No. 1 [FASB, 1978], the board began active work on issues related to cash flow reporting. The FASB issued a discussion memorandum, "Reporting Funds Flows, Liquidity, and Financial Flexibility" [FASB, 1980], followed by a concepts statement exposure draft, "Reporting Income, Cash Flows, and Financial Position of Business Enterprises" [FASB, 1981]. This draft proposed that cash, rather than working capital, be the basis for funds statements. Upon consideration of the responses to the exposure draft, the Board decided not to issue a final statement but to consider the subject in conjunction with its study of recognition and measurement concepts.

In December of 1984, the FASB issued Concepts Statement No. 5, "Recognition and Measurement in Financial Statements of Business Enterprises" [FASB, 1984], which provided general guidance on a statement of cash flows. In April 1985, after considering the results of a study by the Financial Executive Research Foundation, the FASB added a project on cash flow reporting to its agenda. The project resulted in the issuance of the exposure draft, "Statement of Cash Flows" [FASB, 1986] in July 1986.

The FASB has been advocating a switch to the cash basis for the Statement of Changes in Financial Position since 1978. Other forces — the Financial Executive Institute, the Securities and Exchange Commission, and the AICPA through its Auditing Standards Board — have joined in this advocacy. It appears that companies are responding to the encouragement. An AICPA survey in "Accounting Trends and Techniques" reveals that of the companies surveyed in 1978 (prior to the issuance of Concepts Statement No. 1), only 7% reported on a cash basis [AICPA, 1979]. This is in sharp contrast to a survey which shows that 59% of the reporting companies used the cash basis in 1984 [AICPA, 1985].

While many companies have switched to the cash basis, many others have remained with the working capital definition of funds. It is these companies, and their auditors, which will be most affected by the expected decision of the FASB to require a Statement of Cash Flows. Not only will these companies need to report on a cash basis for the current year, but they will also be required to restate prior years' statements on a cash basis for comparative purposes.

Sample Data and Statistical Analysis

The sample for this study consisted of 1,404 non-financial, public companies listed on the 1985 COMPUSTAT annual industrial tape. A large sample was chosen in order to cover a sizable cross-section of companies. The 1985 COMPUSTAT tape was used because it provides current and complete financial data for public companies of wide interest to investors and creditors.

The sample of 1,404 companies was subdivided into groups under three different classification schemes. The first classification, by size, produced eight different groups based on total assets. The second classification, by industrial code, identified 29 different industries. Finally, the companies were classified by their auditing firms. In this case, the companies were divided first into two groups (those audited by the Big Eight auditing firms and those audited by the non-Big Eight auditing firms) and then into nine groups (one group for each of the Big Eight auditing firms in additi-onto the non-Big Eight auditing firm group).

A Chi-square test of independence was performed for each of the three classification schemes above. Essentially, the Chi-square tests determined if the use of a particular basis (i.e., working capital or cash basis) depended significantly on the size, industry association, or auditing firm of the company under examination. Results of these statistical analyses made it possible to determine those particular groups of companies with certain characteristics more likely to use the working capital basis and which companies and auditing firms will be most affected if the Statement of Cash Flows is adopted.

Results and Implications

Overall. The majority (54.7%) of the 1,404 companies in the sample used a working capital basis in 1985. This is a higher percentage than is indicated by the most recent survey in *Accounting Trends and Techniques*, which reports that only 41% of surveyed companies used the working capital basis in 1984. The difference between the present findings and those reported in the *Trends and Techniques* survey can be explained by the fact that the companies in the latter survey were very large companies, whereas the sample in this study consisted of both large and small companies. As will be discussed below, size has a significant impact on the definition of funds used.

Size. The results of the Chi-square test of independence between the definition of funds used and the company's size are presented in Table 1. As can be seen, the definition of funds used depends significantly on the size of the company. In

TABLE 1
Chi-Square Test of Independence Working Capital Vs. Cash Basis by Firm Size (N = 1,404)

Total Assets ($ Million)	Working Capital Expected Frequency 54.7%		Cash Expected Frequency 45.3%	
	No.	%	No.	%
Less than 100	386	79.9	97	20.1
100 to less than 200	136	61.8	84	38.2
200 to less than 400	95	52.8	85	47.2
400 to less than 600	33	42.3	45	57.7
600 to less than 800	32	41.6	45	58.4
800 to less than 1000	16	32.0	34	68.0
1000 to less than 2000	34	27.4	90	72.6
More than 2000	36	18.8	156	81.2
Total Sample	768	54.7	636	45.3

Chi-Square 286.70
Significance 0.0000

Table 2
Chi-Square Test of Independence Working Capital Vs. Cash Basis by Industry Classification (N = 1,404)

Industry Code	Industry	Working Capital Expected Frequency 54.7%		Cash Expected Frequency 45.3%	
		No.	%	No.	%
5	Apparel & Other Textile Products	28	80.0	7	20.0
13	Leather & Leather Products	10	76.9	3	23.1
23	Wholesale — Nondurable Goods	26	76.5	8	23.5
27	Eating & Drinking Places	16	72.7	6	27.3
4	Textile Mill Products	23	71.9	9	28.1
2	Oil and Gas Extraction	60	70.5	25	29.5
28	Misc. Retail	21	67.7	10	32.3
21	Misc. Manufacturing Industries	19	65.5	10	34.5
26	Apparel & Accessory Stores	13	65.0	7	35.0
22	Wholesale — Durable Goods	34	64.2	19	35.8
6	Lumber & Wood Products	12	63.2	7	36.8
16	Fabricated Metal Products	37	61.7	23	38.3
29	Others	43	58.9	30	41.1
18	Electric & Electronic Equipment	121	58.5	86	41.5
7	Furniture & Fixtures	7	58.3	5	41.7
9	Printing & Publishing	24	55.8	19	44.2
12	Rubber & Misc. Plastics	23	54.8	19	45.2
19	Transportation Equipment	35	51.5	33	48.5
25	Food Stores	12	50.0	12	50.0
24	General Merchandise Stores	14	50.0	14	50.0
17	Machinery, except Electrical	49	48.5	52	51.5
20	Instruments & Related Products	26	48.2	28	51.8
14	Stone, Clay, and Glass	12	44.4	15	55.6
15	Primary Metal Industries	16	41.0	23	59.0
8	Paper & Allied Products	12	37.5	20	62.5
3	Food & Similar Products	21	36.2	37	63.8
10	Chemicals & Allied Products	36	34.0	70	66.0
11	Petroleum & Coal Products	12	33.3	24	66.7
1	Metal Mining	6	28.6	15	71.4
	Total Sample	768	54.7	636	45.3

Chi-Square 93.24
Significance 0.0000

TABLE 3
Chi-Square Test of Independence Working Capital Vs.Cash Basis by Auditing Firm (N = 1,404)

TWO-GROUP CLASSIFICATION

Auditing Firm	Working Capital Expected Frequency 54.7%		Cash Expected Frequency 45.3%	
	No.	%	No.	%
Non-Big Eight	134	75.7	43	24.3
Big Eight	634	51.7	593	48.3
Total Sample	768	54.7	636	45.3

Chi-Square 35.10
Significance 0.0000

NINE-GROUP CLASSIFICATION

	Auditing Firm	Working Capital Expected Frequency 54.7%		Cash Expected Frequency 45.3%	
		No.	%	No.	%
1.	Non-Big Eight	134	75.7	43	24.3
2.	Touche Ross	72	60.5	47	39.5
3.	Peat, Marwick, Mitchell	89	58.6	63	41.4
4.	Deloitte, Haskins, & Sells	59	58.4	42	41.6
5.	Arthur Andersen	133	56.8	101	43.2
6.	Arthur Young	54	56.2	42	43.8
7.	Coopers & Lybrand	82	50.3	81	49.7
8.	Ernst & Whinney	76	41.5	107	58.5
9.	Price Waterhouse	69	38.5	110	61.5
	Total Sample	768	54.7	636	45.3

Chi-Square 68.06
Significance 0.0000

particular, the smaller the company, the more likely it is that the company uses the working capital basis. For example, while only 18.8% of large companies with at least $2 billion in total assets use the working capital basis, 79.9% of small companies with less than $100 million in total assets use the working capital basis.

This finding was not unexpected in view of the cost hypothesis suggested by recent research by the authors. Given the long history of use of the working capital basis, companies may elect to follow tradition, thereby avoiding the costs of converting to the cash definition of funds. Large companies are expected to have the resources and expertise to switch to the cash basis easily and quickly. Small companies, however, may find the cost of switching to the cash basis too great and not offset by benefits that may be received. Thus, the finding that a high percentage of small companies uses the working capital basis while a high percentage of large companies uses the cash basis was expected.

Industry. A Chi-square test was also performed to test the independence between the definition of funds used and the industry grouping. As can be seen from Table 2, the definition of funds used depends significantly on the industry grouping. Although about 55% of the 1,404 companies in the sample use the working capital basis, the percentage for some industries differs significantly from 55%. For example, 80.0% of companies in the apparel and textile industry and 28.6% of companies in the mining industry use the working capital basis. The following three industries use the working capital basis most: apparel and textile (80.0%), leather (76.9%), and nondurable wholesale (76.5%). Indications are that these industries will be most affected if the Statement of Cash Flows is adopted.

Auditing Firm. The results of the Chi-square test of independence between the basis used and the auditing firm are presented in Table 3. As can be seen, the definition of funds used depends significantly on the auditing firm engaged by the company. For example, while 75.7% of the companies audited by non-Big Eight auditing firms use the working capital basis, only 51.7% of the companies audited by Big Eight auditing firms do so. Further, the percentages differ among the Big Eight auditing firms. In particular, while only 38.5% of the companies audited by Price Waterhouse use the working capital basis, a rather high 60.5% of the companies audited by Touche Ross do so.

In view of these findings, it appears that non-Big Eight auditors will be affected most if the Statement of Cash Flows is adopted. Among the Big Eight auditors, Touche Ross is likely to be affected the most since a large number of its clients still use the working capital basis as compared to the clients of other Big Eight auditors.

Conclusion

The impact of FASB pronouncements is usually not felt uniformly by all companies and all auditing firms. This will be especially true for the proposed "Statement of Cash Flows." The effect of the FASB's expected decision to require a Statement of Cash Flows will be the elimination of the option of reporting funds on a working capital basis. This study reveals that a majority of companies (54.7%) out of the 1,404 in the sample are still using a working capital definition of funds — an indication that the pronouncement will have a significant impact.

More importantly, the findings presented in this paper suggest that the use of the working capital basis is heavily concentrated among a select group of companies. Smaller companies (those less able to absorb the cost of switching to a new reporting basis) are most likely to be currently reporting on a working capital basis. Thus, the adoption of the proposed Statement of Cash Flows will have the greatest impact on these smaller companies. Also, there are certain industries in which the working capital definition prevails, and these industries will be greatly affected. Finally, the results suggest that the impact of the proposed pronouncement will be greatest for non-Big Eight auditing firms because they have the highest proportion of working capital basis clients.

The above pronouncement, if issued, will have a greater impact on some companies and auditing firms than on others.

It appears very likely that companies will soon be presenting a Statement of Cash Flows in place of the presently required Statement of Changes in Financial Position. This will result in the realization of a long-sought goal of the Financial Accounting Standards Board. Expectations are that the change will be an improvement. However, conforming to the proposed pronouncement (including restating prior years' statements to a cash basis for comparative purposes) will present a burden, particularly to those companies and their auditing firms presently reporting on a working capital basis. Ω

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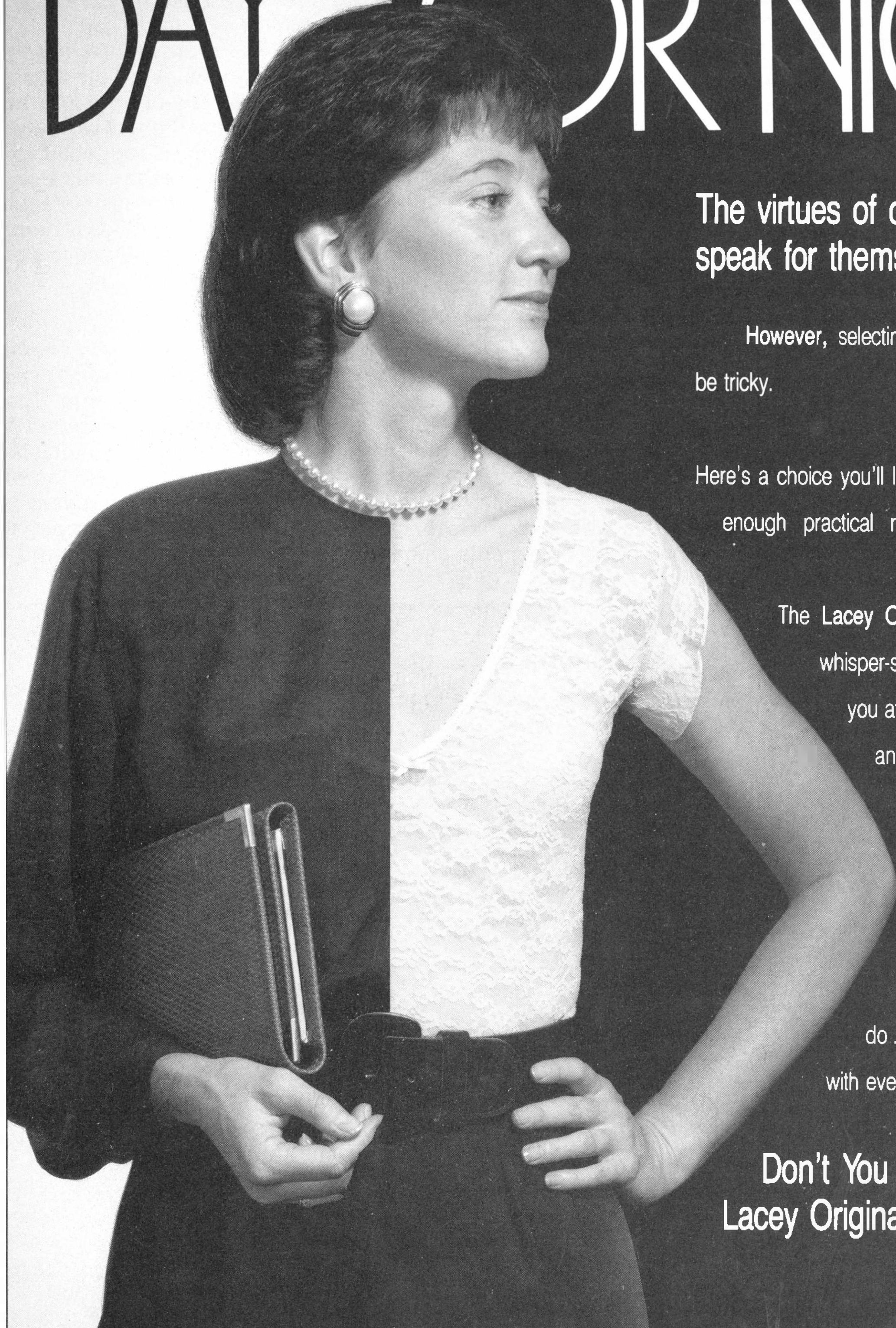

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Job Satisfaction and Intended Turnover in the Large CPA Firm

Differences by Tenure, Education, and Sex

By Maria Lombardi Bullen and Lisa Cline Martin

The uncontrolled high rate of turnover experienced by large CPA firms is a problem that has been recognized by the public accounting profession [Doll, 1983]. Between 70% and 80% of professional personnel leave within five years of joining a firm, and the costs associated with such turnover are great. These include the specific, direct costs of selection and training and the indirect costs of supervision and lowered productivity during training periods. In the last decade, more women have been included in the turnover percentages of large CPA firms since more women have been employed by these firms. According to the American Woman's Society of Certified Public Accountants (AWSCPA) 1985 Statistical Survey, the ratio of women CPAs working in public accounting declined from 61.6% in 1979 to 58.5% in 1985, and only 26.2% of women working in public accounting in 1985 were employed in international and national CPA firms, down from 38.8% in 1979. During the same time period, the percentage of women in local firms increased from 35.5% to 42.1%, and the ratio of women with their own practices increased from 20.9% to 25.4%. This shift may have occurred in reaction to the actual or perceived existence of barriers to women's upward mobility in the major accounting firms. The move may suggest that leaving large firms afforded women more flexibility with respect to workload, working hours, and assignments.

A number of researchers have attempted to identify the reasons for CPA firm turnover in an effort to find solutions to the problem. Many of these studies showed an inverse relationship between aspects of job satisfaction and turnover. However, the limited number of studies and somewhat conflicting results have suggested a need for continued research. In a recent study, job satisfaction and turnover in a large CPA firm were examined. This article offers several reasons for the heavy turnover in and flight of women from large CPA firms as suggested by the findings. Other research is also surveyed, and current issues such as stress and opportunities for promotion, particularly as related to women CPAs, are discussed.

The Study

This exploratory study examined sources of satisfaction and dissatisfaction in a large CPA firm. Specifically, differences in intended turnover, overall job satisfaction, and 11 dimensions of job satisfaction within a large CPA firm were investigated in relation to length of employment with the firm, education, and sex.

TABLE 1
Selected Items Composing the 11 Satisfaction Dimensions as Determined by Factor Analysis

1. Higher Needs and Work Itself
Amount of authority
Freedom and flexibility
Use of skills and abilities
Significance of work
Experience and skill acquisition
Ability to see total picture of project

2. Pressures
Time deadlines
Number of hours worked
Distances to commute in town
People to report to at same time
Assignments to do at same time
Time budgets

3. Communication
Exchange with higher levels in department
Exchange with own level in department
Feeling of being a part of the group
Exchange with other offices

4. Promotion
Opportunity for advancement
Manner promotions determined
Upper level position availability
Predictability of promotion

5. Supervision and Evaluation
Quality of supervision
Consistency of supervision
Extent of fair evaluation

6. Office Support
Typing services
Copying services
Secretarial/administrative support

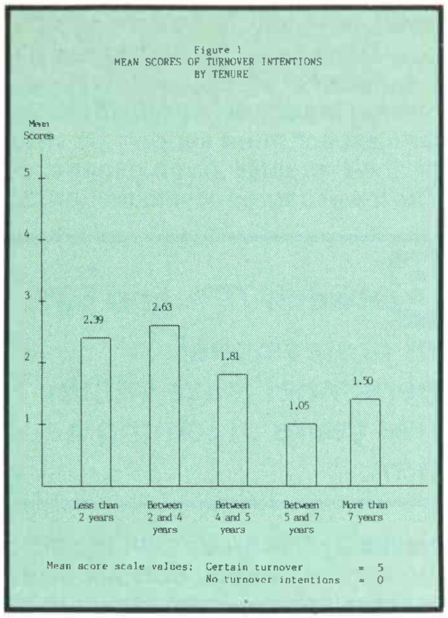
7. Staffing
Extent of rumor mill in assignments
Input in choosing assignments
Extent of rumor mill in evaluations
Equity in job assignments

8. Appreciation and Participation
Partners' expression of appreciation
Consistency of support/appreciation
Feedback on performance
Opportunity to make suggestions

9. Client Range and Assignments
Client range (size, type, industry)
Variety of assignments

10. Financial Compensation
MBA pay differential
Salary, including bonus
Equity in salaries in level
Channels of communication understood

11. Counseling and Training
Counseling partner familiar with work
Guidance from counseling partner



The 11 dimensions of job satisfaction were: (1) higher needs and work itself, (2) pressures, (3) communication, (4) promotion, (5) supervision and evaluation, (6) office support, (7) staffing, (8) appreciation and participation, (9) client range and assignments, (10) compensation, and (11) counseling and training. Table 1 presents the major work aspects that are reflected in the 11 dimensions.

Subjects in the study were male and female nonpartner members from a large United States metropolitan office of a Big Eight CPA firm. The firm had experienced a significant turnover rate of approximately 34%, and partners expressed an interest in reducing turnover to a healthier 20% range. Their conservative estimate was that $5,000 per recruit was expended for the more identifiable costs of recruiters' salaries, travel, and time spent in recruiting or formal training.

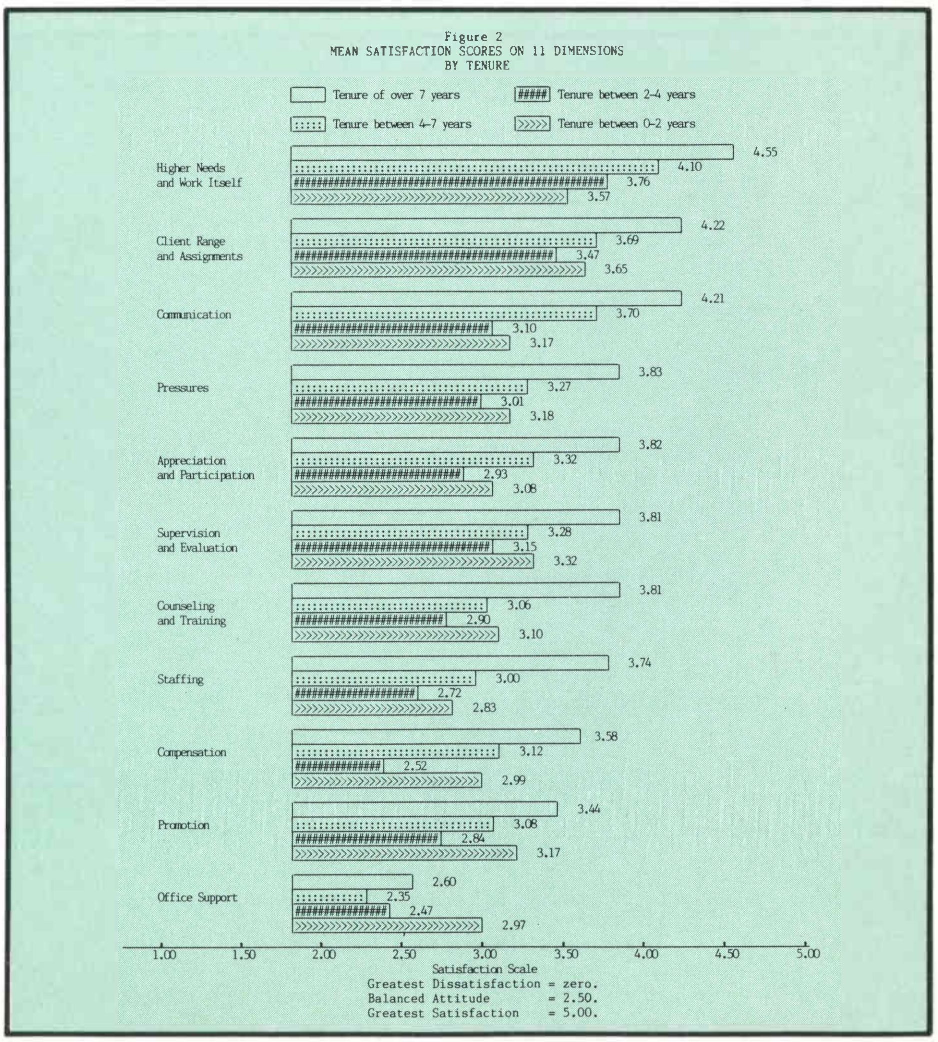
A questionnaire was distributed to nonpartner firm members, producing 125 usable responses, which represented a response rate of 76%. The questionnaire was developed with the participation of a preliminary interview group of nonsubject firm members who assisted in the process of identifying an appropriate set of variables to be measured in the large CPA firm environment. The data were analyzed statistically using descriptive statistics, factor analysis, multivariate and univariate analyses of variance, and Student t tests.

The Results

The data analyses produced statistically significant differences in *intended turnover* by tenure ($p < .023$), but not by education or sex. The group with two to four years at the firm expressed the strongest turnover intentions, and the group with five to seven years of tenure exhibited the smallest likelihood of turnover. Figure 1 presents the mean scores on turnover intentions by length of time with the firm.

No statistically significant differences were found in *overall satisfaction*. However, in a number of the satisfaction dimensions, there were differences. The major results for the dimensions studied are discussed in the sections that follow.

Differences in Satisfaction Dimensions by Tenure with Firm. Significant differences by tenure emerged at $p < .10$ in all but one of the satisfaction dimensions (supervision and evaluation). This finding was somewhat surprising, since no significant differences were found in overall job satisfaction. The direction of the means, however, was as expected. The highest means in overall satisfaction came from the group with tenure of more than seven years, followed by staff with tenure of five to seven years. Figure 2 presents the mean scores on 11 satisfaction dimensions by tenure with the firm. The results also revealed that the high-tenure groups (over five years with the firm) were more satisfied than the less tenured groups on the dimensions of higher needs and work itself, communication, counseling and training, pressures, and compensation. The low-tenure groups were more satisfied with office support. Staff with the firm two to four years were shown to be the least satisfied on all dimensions, except for higher needs or work itself and office support. Thus, it was not surprising that the highest intended turnover was reported by groups employed two to four years with the firm.



Middle Tenure Group Least Satisfied. The results document the existence of greater dissatisfaction in important areas within the middle tenure group, basically the senior level. This is the level at which CPA firms generally experience increased problems with uncontrolled, undesired turnover. At the senior level, pressures mount with responsibility for staff, particularly long overtime hours, and possibly conflicting assignments carried out under tight time budgets and multiple supervisors. Seniors apparently feel locked into high-pressure positions for which they are not adequately compensated.

The above results are partially consistent with prior findings, although most research of job satisfaction in the large CPA firm environment has studied position level in firm rather than tenure with firm. It is reasonable to expect similarities in results, since CPA firms generally follow an "up or out" policy. Research by Albrecht, Brown, and Field [1981] has shown that upper level employees experienced higher overall satisfaction and lower intended turnover than those on lower and middle levels. Other studies found that middle level employees were least satisfied on an overall basis [Norris and Niebuhr, 1984], or least satisfied in work load and pay [Gaertner and Ruhe, 1981] or in working conditions [Albrecht, Brown, and Field, 1981].

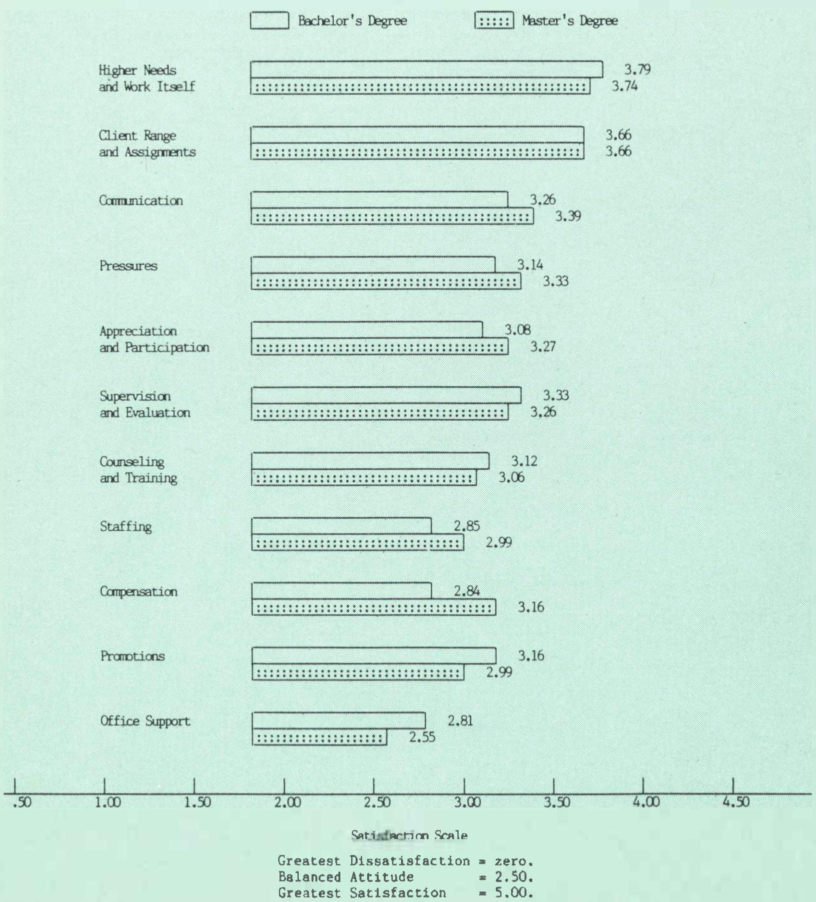
Differences in Satisfaction Dimensions by Education. Statistically significant differences by education emerged at $p < .10$ on the three satisfaction dimensions of promotions, office support, and compensation. The firm members with a bachelor's degree were more satisfied with promotion and office support than those holding a master's degree. However, on the compensation dimension, those with postgraduate degrees were more satisfied, as shown in Figure 3. This last result was expected since at the lower and middle levels, personnel with advanced degrees generally earn more than their counterparts with lesser degrees. In the area of office support, it is possible that the accountants with a master's expect more support by virtue of their greater prior experience. The lower degree of satisfaction dis-

Between 70% and 80% of professional personnel leave within five years of joining a firm.

played by this group with regard to promotions is also understandable, as these professionals expect to receive more frequent promotions. However, it is difficult to affirm that the differences on the three satisfaction dimensions are definitive, even in the immediate environment studied. Although some prior research [Albrecht, Brown, and Field, 1981] found that CPA firm members with a master's degree were less satisfied on promotion as well as on most other facets of satisfaction (although an "office support" item was not tested), other researchers concluded that it was not possible to significantly predict satisfaction [Benke and Rhode, 1980] or tenure [Loeb and Gannon, 1976; Rhode, Sorensen, and Lawler, 1976; and Sorensen et al., 1985] from educational factors.

Differences in Satisfaction Dimensions by Sex. Statistically significant differences by sex emerged on two individual dimensions. Women were less satisfied than men (at a significance level of $p < .05$) with aspects related to promotion: opportunities for advancement, the manner in which promotions were determined, the availability of upper-level positions, and the extent to which women knew when they would be promoted. The mean ratings on the satisfaction dimensions are reported in Figure 4. At the firm studied, the proportion of women declined at each successively higher firm level since there were only a few women at the upper levels. Women also seemed less satisfied than men ($p < 10$) on the dimension of pressures, such as time deadlines, number of hours worked, distances to commute in town, and

Figure 3
MEAN SATISFACTION SCORES ON 11 DIMENSIONS
BY COLLEGE DEGREE



number of people to report to at the same time.

These results are partially consistent with other findings. For example, other research has shown that, in general, women CPAs and women in public accounting are satisfied in their jobs [Melcher and Welker, 1980; and Ward, Moseley, and Ward, 1986] and their rate of turnover is no higher than that of their male counterparts [Rhode, Sorensen, and Lawler, 1976; and Sorensen et al., 1985]. However, researchers also have reported patterns of positive relationships between feelings of or actual discrimination and the number of years of public accounting experience [Walkup and Fenzau, 1980; Patrick, 1984; and Hutton, Tucker, and Bradley, 1986]. Relatively low levels of satisfcation with promotions (and pay) among women CPAs have been documented by Ward, Moseley, and Ward [1986]. Maupin [1986] found that androgynous women CPAs achieved the greatest job satisfaction and were also more likely than other women to rise to the upper levels in the public accounting profession.

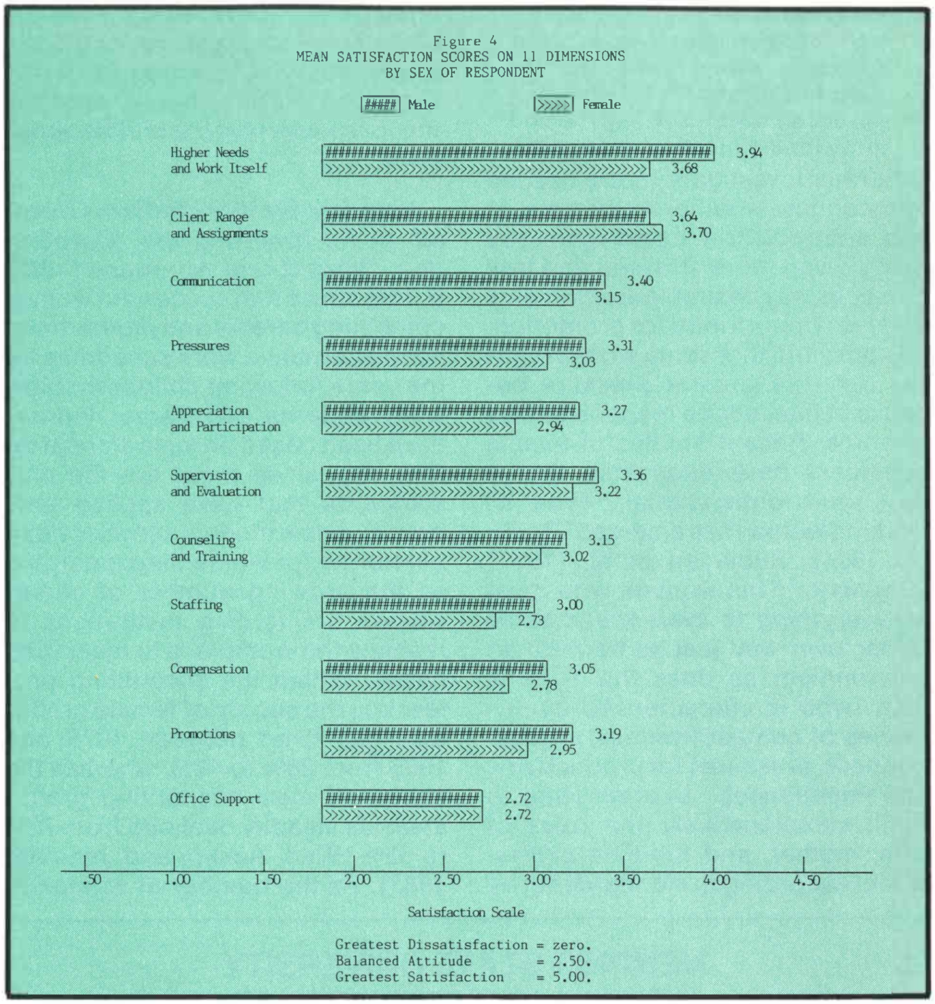


Figure 4
MEAN SATISFACTION SCORES ON 11 DIMENSIONS BY SEX OF RESPONDENT

Discussion and Implications

Questions measuring overall satisfaction did not lead to identification of different satisfaction levels for individuals grouped by tenure, education, or sex. The analyses of individual satisfaction dimensions, however, revealed some noteworthy differences, with implications to the Big Eight firm and its professional staff. Differences were found in intended turnover, with the middle tenure groups reporting the greatest likelihood of migration. Since only one firm office participated in the study, however, the results cannot be generalized (from a statistical standpoint) to all large firms. But because of the environmental similarities among large firms, the results may have implications outside the organization studied.

Improvements for Seniors. One improvement suggested by the results is for employers to rethink some of their practices with regard to senior staff, since the greatest turnover tendencies were found to exist in this group of accountants who have between two and four years of tenure. Large CPA firms could open the channels of communication, provide more mentors, make efforts to improve scheduling, and perhaps recognize specific preferences of seniors in the choice of clients, industries, or areas of specialization. When possible, firms might provide some relief for senior-level staff to prevent the burnout that many experience and which may drive them from the firm. For example, seniors might be encouraged to give more consideration to the use of task delegation to relieve time pressures, and firms might provide special training to improve the supervisory skills of senior-level firm members. Another approach might be for managers to carry some of the workload when necessary. In addition, the firms might consider an increased compensation package for seniors.

Promotions and Pressures of Women CPAs. With respect to women CPAs, changes are suggested by the findings that women are less satisfied than men on the dimensions of promotions and pressures. As it now stands, the advancement rate for professional women in large CPA firms appears to be below that of other minority groups. In 1984, for example, a total of 6,870 women CPAs were employed by major accounting firms and only 2.1% of them (146) were partners in the firms; in contrast, the 1,144 CPAs from minority groups including American Indians, Asians, Blacks, and Hispanics supplied 12.8% (or 147) partners in major, non-minority firms [*Professional Women and Minorities*, 1986, pp. 3-4]. Ried, Acken, and Jancura [1987, p. 338], in their history of women CPAs prepared for the Centennial Issue of the *Journal of Accountancy*, state:

> The history of women in accounting reflects a long struggle to overcome the barriers of rigid social structures, discrimination, misconceptions and conflicts between the demands of motherhood and career. Women's competence in accounting has long been recognized. Yet, even today few women

have risen to the top of the profession. Women have made major strides in recent years, but the opportunities and rewards for women accountants still lag behind those for their male counterparts.

Further investigations are needed to determine whether women are, in fact, subtly discriminated against by being given more stressful and less prestigious or desirable assignments and less opportunity for promotion. It is possible that some women simply perceive greater pressure because of their added responsibilities at home. Recent studies of female managers have suggested that a new multi-dimensional "Type E" working woman has emerged [Braiker, 1984]. Suojanen et al. [1987] comment: "This woman, who must be *everything* to *everyone*, creates in her own way just as harmful an environment as does the Type A man [who is characterized by extremes of competitiveness, aggressiveness, pressures for productivity, and impatience]." In attempting to fulfill simultaneously the roles of wife, mother, and full-time professional according to standards set by others, many women find themselves under constant pressure. Under current conditions, this situation is very likely to prevail in public accounting, particularly at the middle senior level.

New Flexible Work Patterns Needed. In *Re-Inventing the Corporation*, Naisbitt and Aburdene [1985, p. 213] stress that successful women combining careers and motherhood need alternative work schedules for the years following childbirth. Most work patterns and career ladders have been based on male standards, they say, since those are the only standards that have applied until now. But new models allowing flexible norms for women are emerging as the growing number of career women are forcing institutions to reshape the workplace to meet their needs. Within the accounting profession, the supply of female graduates has risen between 1976 and 1985 from 28% to 48%, whereas the supply of male accounting graduates has steadily declined from 72% to 52% [Ried, Acken, and Jancura, 1987]. As the number of women in accounting increases, the need for a reshaping of their working environment becomes apparent. Mary A. Finan [1985], a partner in Arthur Young, suggests that women in public accounting may be subject to personal frustration because of society's continued pressure on them to assume the role of child-raiser and generally be the caring center of family units. To fulfill professional and family responsibilities at the same time, she states, women may need flexibility in their professional work.

Secondary Promotional Track Needed. If CPA firms want to keep valuable employees, they need to get away from the "up or out" philosophy. In addition to allowing flexibility in work schedules and limiting travel, CPA firms might create and have a stated policy for a secondary promotional track for women with family responsibilities. Although financial compensation would be lower the the speed of advancement decreased, the firm would remove the stigma that is normally attached to lower pay and slower upward mobility. Such policies could bring relief to two-career couples or single parents, who may find it difficult to cope on the fast track. As children grow up and responsibilities at home stabilize, these professionals would begin to catch up.

The idea of getting off the fast track may disappoint some women. However, professional women need to realize that they do not have to be the "best" (by other people's standards) in all areas of their multidimensional lives. The same holds true for men who may have unusually heavy family responsibilities. It is generally not in the best interest of professionals or their employers to stay in overly stressful situations. In effect, employees in these situations may have to be satisfied with a slower pace of advancement. Nykodym et al. [1987] note:

> Women may wish to be more successful or to have a better-paying job or higher status. Being realistic, women may need to content themselves with mild successes at first.

Not *all* women, of course, including those with children, would opt for a slower track; some women are able to combine family life and a highpowered career. But knowing that a slower track was available could ease the pressure even for these women.

Furthering Women's Careers. One reason that women perceive less opportunity for promotion is because conventional standards have often prevented women from engaging in particular activities that traditionally have been employed by men to further their careers. For example, men sometimes use private, male-only clubs to meet clients or colleagues. Men also frequently participate in informal all-male networks and often develop powerful mentor/protégé relationships. It is important that women also make special efforts to form their own networks; that they encourage, help, and actively support one another; and that they aggressively search for their own, powerful mentors who appear to be important to the professional development, status, and power of the CPA firm member. It is not necessary for women to participate in all of the traditionally male socialization processes. Their time is more wisely spent on efforts that serve to increase their professional visibility: participating in professional organizations, publishing in partnership with academics, accepting speaking engagements, and becoming involved in community matters. Women are often accused of being task- rather than goal-oriented and of not being able to delegate or supervise effectively, but women are also known to be articulate and creative. Further investigation is needed to determine how these and other factors affect both the job pressure and opportunity for promotion experienced by female CPA firm members.

Conclusion

Prior research and the current study suggest the need for further research. Although there is reason to believe that because of similar prior findings the results of this study reflect conditions that are typical for the Big Eight firm environment, more research is needed to provide an enlarged basis upon which to draw conclusions. Additional research is needed since prior work in the areas investigated has not been extensive, entirely consistent, or completely definitive. Ω

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Personal Earnings In The Accounting Profession

Returns For Alternative Investments

By Kenneth Rosenzweig and Lawrence Hadley

Although there is substantial information about the earnings of accountants [BLS, 1984; Robert Half, 1986], there have been relatively few analyses of the determinants of their earnings. Therefore, a study was undertaken to explore these determinants. Information was collected from members of the National Association of Accountants (NAA) via a questionnaire. Responses to the questionnaire provided data on earnings in addition to wide range of information on professional and personal characteristics.

Analysis of the data suggests some interesting patterns of returns in the accounting profession:

- The CPA credential was found to have a significantly positive impact on earnings in both industry and public accounting.
- Accountants with the same credentials and experience were found to earn significantly more in industry than in public accounting.
- A significant earnings return was found for the MBA degree in industry but not in public accounting.

These findings should assist accountants in making career decisions that will lead to professional advancement and increased earnings.

Methodology

Although economists have studied the determinants of earnings in various contexts, the dominant approach utilized has been human capital theory [Becker, 1975; Mincer, 1974]. Briefly, this theory analyzes individuals who invest in themselves by accumulating skills, most commonly through formal education, continuing education beyond formal degree programs, and training in the workplace. Although these activities are costly in both time and money, they are expected to increase a worker's productivity and, in turn, result in higher earnings per unit of time.

Database. To apply human capital theory to the accounting profession, an extensive database of variables relating to the earnings of NAA members was compiled. The general purpose was to compare the returns on investments in alternative types of human capital most commonly made by accountants. These investments include various academic degrees and professional certifications, as well as work experience in alternative types of firms and various areas of specialization.

The database was compiled by surveying 9,520 randomly selected members of the NAA. A total of 3,081 members responded to the survey for a response rate of approximately 32 percent. The NAA was selected because of the wide diversity of its members' credentials and work-histories in the accounting profession. This diversity permits a comparison of returns on many alternative types of career choices. In contrast, the other major professional association, the American Institute of Certified Public Accountants, includes only CPAs as members, and a sample of its members would have prohibited the comparison of career choices and earnings between CPAs and non-CPAs.

The questionnaire asked for information regarding an individual member's earnings in 1984; position of employment in 1984; educational, professional, employment, and family histories; and certain personal information of a demographic nature. The responses were anonymous to protect individual confidentiality. A general overview of accountants' earnings is provided by Table 6 in the appendix which presents mean earnings for various subgroups of our sample.

Data Analysis. The technique employed for analyzing the data is multiple regression. The dependent variable is the natural logarithm of earnings. This type of analysis identifies the additional earnings in percentage terms asociated with variables measuring various professional and personal characteristics, e.g., education or gender. These percentage earnings increments are reported for various groups of variables in Tables 1-5.

Multiple regression analysis isolates the percentage increment of earnings for a particular explanatory variable while controlling for the possible impact of other explanatory variables. Specifically, the percentage earnings increments reported in Tables 1-5 are the regression coefficients of the earnings equation. A specific regression coefficient represents the percentage increase in earnings associated with a unit change in the specific explanatory variable for accountants with equivalent values for all other explanatory variables (i.e., the percentage increase in earnings while holding the other explanatory variables constant).

Control for the possible interdependent effects among explanatory variables is necessary in order to isolate the effect of a specific explanatory variable on earnings. For example, gender and years of work experience are both explanatory variables in the analysis. But gender and work experience are also related to each other (on average, men have substantially more years of work experience than women). Thus, an analysis of the effects of gender on earnings that excludes experience as a control variable overstates the portion of earnings explained by gender. The reason is that the portion of earnings explained by experience is included in the coefficient of the gender variable in addition to the portion properly attributable to gender. Thus, the omission of an explanatory variable distorts the estimated percentage increments of other related explanatory variables.

The important explanatory variables that the regression analysis controls for include the type of firm which employs the accountant (public accounting firm, industrial firm, government, or non-profit firm); years of work experience (both overall and with the current employer); level of job responsibility; weeks per year spent at work, weeks of sickness, and weeks of unemployment; professional certifications; educational degrees and undergraduate grade point average; the population of the urban area where employed; and personal characteristics including sex, race, marital status, and number of dependents. The percentage earnings increments are reported in Tables 1-5 only in cases where there is at least a 90 percent confidence level that the increments are significantly different from zero.

A significant earnings return was found for the MBA degree in industry but not in public accounting.

Means for various subgroups of the sample are also reported in Tables 1-5. Differences between means may be the direct effect of the variables themselves, or they may be explained by other control variables. The percentage earnings increments (and not the means) reported in the tables isolate the impact of the explanatory variables on earnings while controlling for the impact of other independent variables. Thus, they are the correct bases for identifying the impact of specific variables on earnings.

It should be noted that ultimately the analysis can only identify statistical relationships. One must be careful in drawing conclusions about cause and effect. Although it is plausible to maintain that education, credentials, work experience, and the personal attributes included in the analysis do determine earnings, the analysis does not prove a causal relationship. It should also be noted that this is a common limitation of most empirical research where laboratory-controlled experimentation is not possible.

Table 1
Earnings by Type of Firm[a]

	Mean	% Earnings Increment
All	$47,100 (3,077)	
Public accounting firms	$51,600 (511)	-11.2 **
Industry	$47,600 (2,264)	11.8 ***
Government	$34,000 (136)	-13.0 **
Nonprofit firms	$36,100 (166)	-11.7 *

[a]The following symbols are used throughout Tables 1-5 to designate the statistical confidence that the reported earnings increments are different from zero:

NS Less than 90 percent confident.
* At least 90 percent confident,
** At least 95 percent confident, and
*** At least 99 percent confident.

Also, the number of accountants in various subgroups of our sample are reported in parentheses beneath mean earnings throughout Tables 1-6.

Earnings by Type of Firm

The data distinguish four types of firms, identified in Table 1: public accounting firms, industrial firms, governments, and nonprofit firms. Although the means in column 1 create the impression that earnings are higher in public accounting firms, the earnings increments reported in column 2 show that after introducing appropriate controls, there is a significant earnings differential in favor of industrial accountants.

Each earnings increment reported in Table 1 is the percentage earnings differential for accountants employed by that particular type of firm in comparison to all other accountants in our sample. The use of control variables implies that the comparison is between accountants with equivalent education, credentials, and work experience. The results show that accountants in industry earn 11.8 percent more than all other accountants in our sample, and public accountants earn 11.2 percent less than all the others. Therefore, for accountants with equivalent work histories and credentials, there is approximately an 11 to 12 percent earnings differential in favor of industrial accountants.

The inconsistency between the means and the earnings increments in Table 1 is explained by a different mix of credentials and educational achievements for the typical respondents in industrial and public accounting firms. The most dramatic difference relates to the CPA credential. In our sample, 73 percent of accountants in public accounting firms have the CPA, while in industry, the comparable figure was only 25 percent. The second important difference is that employees in public accounting firms had a mean college grade point average (GPA) of 3.3 (on a scale of A=4.0), while employees in industry had a mean GPA of 3.0. (This difference is statistically significant with 99 percent confidence.) Both CPA credential and college GPA are significantly positive determinants of earnings. Thus, the higher mean earnings for all public accountants is explained by the larger proportion of CPAs and their higher GPAs. After controlling for these two factors, industrial accountants earn more. In other words, industrial accountants with CPAs generally earn more than CPAs with similar undergraduate GPAs in public practice.

Finally, the impact of firm size on earnings is worth mentioning. Firm size is defined as the number of accountants employed in the organization on a worldwide basis. Analysis shows that after controlling for other factors, earnings increase one tenth of one percent for every additional 100 accountants in the firm. (This result is statistically significant with 99 percent confidence.)

Areas of Job Specialization

For accountants employed in industry, the data identify three functional areas of specialization: accounting fields such as cost and financial reporting, finance and related fields, and non-accounting fields such as marketing and general management. Mean earnings and earnings increments are reported in Table 2 for these three specializations.

The analyses indicate an earnings decrement of 8 percent in accounting related fields and a 13 percent increment in financial fields. It is important to note that these negative and positive increments are significant at job levels of higher responsibility. Entry level positions exhibit no significant difference although there are very few accountants in financial fields at the entry level. It is also interesting to note that the mean earnings for the generalists (non-accounting fields) are higher despite the absence of a signficant controlled earnings increment.

The fact that the percentage earnings increment is not signficant for generalists is explained by the large correlation between being a generalist and having a high job level, such as manager or executive. In other words, the high mean earnings of generalists is due to the fact that they are almost all employed at the highest levels of responsibility. After controlling for the level of responsibility, there is no independent return in this area.

The results in Table 2 suggest a career path that is commonly followed by highly paid industrial accountants. This path begins with initial experience in accounting areas and progresses to positions of higher responsibility and salary in finance and possibly general management.

The data also identify areas of specialization for public accountants, and mean earnings for the two largest areas (tax and auditing) are reported in the Appendix. However, regression analysis indicates no significant earnings differentials between the areas of specialization in public accounting firms; therefore, no increments are reported.

Table 2
Earnings by Specialization in Industrial Firms

	Accounting		Finance		Generalist	
	Mean	% Earnings Increment	Mean	% Earnings Increment	Mean	% Earnings Increment
All	$43,200 (1,545)	- 8.0 **	$57,200 (476)	13.0 ***	$71,200 (126)	NS
Entry Level	$17,600 (75)	NS	$16,800 (11)	NS	(0)	NS
Senior accountant	$28,600 (253)	- 7.8 **	$30,900 (77)	NS	$50,800 (9)	NS
Manager, partner or executive	$47,800 (1,217)	-13.2 ***	$63,600 (388)	17.7 ***	$72,800 (117)	NS

Earnings and Education

The human capital theory that demonstrates the relationship between earnings and education was developed by Mincer [1974]. Since many young accountants ponder the value of education beyond the baccalaureate, Table 3 has been organized to focus upon the pecuniary returns for the two most commonly pursued master's degrees as well as the baccalaureate. The percentage earnings increment can correctly be identified as the rate of return to the corresponding increment of education. The results indicate an 11.7 percent return to the bachelor's degree, and an 8.8 percent additional return to the MBA degree. The returns to education in industry are consistent with the overall pattern of returns. The analysis did not identify any additional return to the Master of Accountancy degree

Table 3
Earnings by Type of Degree

	Any Bachelor's Mean	Any Bachelor's % Earnings Increment	MBA Mean	MBA % Earnings Increment	Master of Accountancy Mean	Master of Accountancy % Earnings Increment
All	$44,900 (1,972)	11.7 ***	$55,700 (616)	8.8 **	$50,700 (67)	NS
Public accounting	$48,900 (354)	NS	$66,000 (72)	NS	$46,100 (28)	NS
Industry	$45,300 (1,455)	13.6 **	$56,600 (473)	8.7 **	$60,500 (31)	NS

Highest Degree Attained

over that of a bachelor's degree.

The surprising result shown in Table 3 is the lack of evidence of a return to any type of higher education in public accounting firms. Yet the mean earnings indicate substantially positive earnings increments for both the bachelor's and MBA degrees. Certain interdependencies with other explanatory variables account for this inconsistency.

For the bachelor's degree, the inconsistency seems to be explained by the interrelationship between education and the CPA credential. In public accounting firms, 76 percent of accountants with a bachelor's also have a CPA. In industry, the corresponding figure is only 27 percent. Since a bachelor's is almost a universal prerequisite for a CPA, there exists a large element of redundancy in the data (multicollinearity) between a bachelor's degree and a CPA credential. As reported below, the analysis identifies a large positive earnings increment for CPAs in public accounting firms, and it is difficult to identify the portion that is completely independent of the bachelor's degree.

For public accountants with an MBA degree, the explanation of the lack of a significant earnings increment is somewhat different. Among public accountants, there is a strong relationship between holding the MBA degree and years of work experience. Persons holding the MBA degree are generally older (average age 44) than persons having only the bachelor's (average age 37); they have more years of work experience (18 average years vs. 11 years for bachelor's holders); and a higher proportion are male (90 percent vs. 75 percent for bachelor's holders). Since the MBA degree is strongly associated with the work experience and sex variables, controlling for them explains the insignificant return to the MBA.

In contrast, among industrial accountants, there is relatively little correlation between holding the MBA degree and either years of work experience or sex. The average years of age and work experience of MBAs and baccalaureates are the same — 41 years of age and 16 years of work experience. Also, there is little difference in the sex of MBAs and baccalaureates — 90% of the MBAs are male vs. 84% of the holders of the bachelor's. Since work experience and gender are not associated with holding an MBA degree, the positive difference in mean earnings between the MBA degree and the bachelor's is not explained by those variables. Consequently, the difference in mean earnings results in a significant earnings increment to the MBA.

In other words, public accountants at an advanced stage in their careers tend to document their senior status with an MBA degree. The additional degree does not seem to increase their income more than would be expected based on their seniority. In contrast, younger industrial accountants seem to be able to boost their income immediately with an MBA degree without having to wait to acquire a lot of job experience.

Earnings and Professional Certifications

Like higher education, professional certification involves a significant commitment of time. Thus, the monetary returns to alternative certifications is of great interest to young accountants. Table 4 presents means and earnings increments in public accounting and industry for the two most commonly pursued certifications for accountants: the Certified Public Accountant (CPA) and the Certified Management Accountant (CMA).

It is clear from the table that the CPA credential has a strong positive effect upon earnings. Overall, the CPA credential brings 10.9 percent higher earnings. However, these returns vary between public accounting and industrial firms. In industry, a CPA adds 10.5 percent to earnings while in public accounting the corresponding increment is 27.5 percent.

It is not as clear that the CMA has a positive impact on earnings. Mean earnings for accountants with CMAs are marginally higher than accountants without either credential, but regression analysis fails to identify any statistically significant returns

Table 4
Earnings by Certification

	No CMA or CPA Mean	CMA Mean	CMA % Earnings Increment	CPA Mean	CPA % Earnings Increment
All	$42,600 (1,933)	$45,400 (164)	NS	$55,800 (1,032)	10.9 ***
Public accounting	$29,800 (128)	$42,500 (20)	NS	$59,200 (378)	27.5 ***
Industry	$44,800 (1,612)	$46,700 (121)	NS	$56,400 (559)	10.5 ***

Table 5
Earnings by Sex

	Males	Females	
	Mean	Mean	% Earnings Increment
All	$51,000 (2,348)	$28,800 (543)	-12.3 ***
Public accounting	$60,200 (368)	$23,200 (118)	-34.9 ***
Industry	$50,900 (1,754)	$30,500 (360)	NS
Entry level	$18,600 (82)	$15,900 (100)	NS
Senior accountant	$30,000 (346)	$25,800 (164)	- 7.8 ***
Manager, partner or executive	$56,200 (543)	$35,200 (279)	-18.3 ***

to the CMA in this sample.

Earnings and Personal Attributes

In addition to data on career-related attributes, data on personal-attribute variables was also compiled. Gender is the most important of these variables because of its statistically significant impact upon earnings. Despite a large difference in mean earnings, regression analysis indicates that, overall, women earn just 12 percent less than men in the sample, after controlling for revelant variables, such as age, experience, and education. Thus, a large part of the difference in mean earnings between men and women is explained by differences in the control variables, the most important being work experience. Females typically have many fewer years of work experience both in total and with their current employers.

Table 5 summarizes the sex differential for various groups of accountants. The most striking aspect of the table is the unevenness of the sex differential both by type of firm and by job level. It is difficult to understand the reason that the significant sex differential is concentrated in public accounting firms. Certainly, the means for males and females indicate a sex differential for both types of firms. However, in industry, the difference between the means can be explained by the control variables, while in public accounting firms, it cannot.

It is not surprising that the sex differential gets worse at higher job levels since it is well known that the labor market is more competitive at the entry level. The finding on this point thus corroborates the work of Olson and Frieze [1986]. This finding is attributed primarily to the greater mobility of young workers. A young female who discovers her salary to be below market level is much more likely to change employers without great cost. In contrast, job changes are typically more costly for older workers, and, therefore, salaries become partially insulated from competitive market forces.

It is also interesting to briefly note some of the personal attribute variables which are not significant determinants of earnings. Foremost is race. Though minority groups constitute only about two percent of the sample, after controlling for relevant variables, analysis shows that the earnings of minority groups are not significantly different from whites. Other variables that have insignificant impact on earnings include marital status and weeks of work missed for sickness.

Conclusions

The results illustrate some interesting patterns of returns in the accounting profession. While there are a few surprises, the findings confirm and document prior expectations. The inability to identify statistically significant returns to the CMA, the Master of Accountancy, and the MBA in public accounting firms was somewhat surprising. Also, the finding of higher earnings in industry than in public accounting for accountants with equivalent work histories and credentials is important.

The results have implications for young accountants planning their careers. For those looking to industry for a career, the results suggest that the CPA and/or the MBA are worthwhile investments. Furthermore, career advancement should eventually be expected in areas outside of the traditional accounting fields. For those looking to a career in public accounting, the CPA is the single most important credential. Ω

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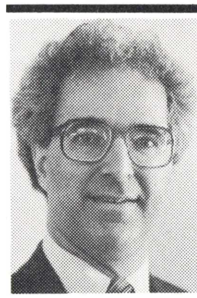

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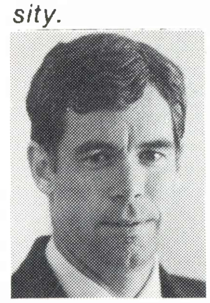

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Appendix

The results presented in Table 6 (below) are raw means for various subgroups of the accountants in our sample. These means are disaggregated into cells on the basis of type of firm and job specialty across the columns. The disaggregation down the rows is on the basis of job level, professional credential, and earned master's degree.

The appropriate use of these means is the comparison of an individual accountant's own earnings with the mean reported in the cell that best describes that individual. It would not be valid to use these means for comparisons between cells nor for determining the returns to type of firm, job level, education, or certification since the means have not been adjusted to control for possible interdependencies with other variables.

TABLE 6
Profile of the Earnings of Accountants

	ALL	INDUSTRY				PUBLIC ACCOUNTING FIRM			GOVT. OR NONPROF.
		All	Accounting	Finance	General	All	Tax	Audit	
Average	47,000 (3,081)	47,600 (2,264)	43,200 (1,545)	57,200 (476)	71,200 (126)	51,600 (511)	42,200 (153)	57,100 (245)	35,100 (302)
Entry level	17,000 (189)	17,300 (92)	17,600 (75)	16,800 (11)	*	17,000 (80)	16,400 (23)	17,200 (43)	15,100 (16)
No master's	16,700 (172)	16,800 (82)	17,100 (67)	16,200 (10)	*	16,900 (63)	15,500 (19)	17,000 (38)	15,200 (11)
Neither	16,200 (134)	16,700 (80)	16,900 (65)	16,200 (10)	*	15,900 (43)	14,600 (17)	16,100 (18)	14,500 (10)
CPA	19,700 (23)	24,000 (2)	24,000 (2)	*	*	19,200 (20)	22,500 (2)	18,800 (16)	22,000 (1)
CMA	21,000 (1)	*	*	*	*	21,000 (1)	*	21,000 (1)	*
Master's D.	18,400 (16)	22,000 (2)	22,000 (2)	*	*	18,300 (12)	21,700 (3)	19,200 (5)	15,000 (2)
Neither	16,900 (7)	18,000 (1)	18,000 (1)	*	*	17,500 (4)	21,000 (1)	15,500 (2)	15,000 (2)
CPA	18,100 (7)	*	*	*	*	18,100 (7)	22,000 (2)	21,700 (3)	* *
CMA	24,000 (3)	26,000 (1)	26,000 (1)	*	*	23,000 (2)	*	23,000 (1)	*
Senior acct.	28,600 (546)	29,700 (361)	28,600 (253)	30,900 (77)	50,800 (9)	24,400 (103)	24,900 (34)	24,700 (53)	29,100 (81)
No master's	27,300 (367)	28,600 (250)	28,100 (175)	29,600 (50)	36,700 (7)	23,700 (80)	23,300 (23)	24,700 (44)	26,100 (36)
Neither	27,700 (247)	28,600 (196)	28,100 (136)	30,600 (45)	33,000 (5)	23,200 (23)	23,600 (11)	24,400 (10)	25,500 (27)
CPA	26,500 (110)	29,600 (44)	29,200 (30)	24,500 (8)	46,000 (2)	23,900 (57)	22,900 (12)	24,800 (34)	27,800 (9)
CMA	26,300 (19)	25,600 (12)	25,500 (11)	26,000 (1)	*	30,500 (2)	*	30,500 (2)	*
Master's D.	31,900 (115)	32,900 (67)	30,300 (43)	33,400 (22)	112,000 (1)	24,700 (11)	23,800 (4)	23,000 (5)	32,100 (37)
Neither	31,100 (66)	31,900 (49)	28,300 (31)	32,500 (16)	112,000 (1)	22,000 (1)	22,000 (1)	*	29,300 (16)
CPA	32,800 (41)	35,500 (13)	35,300 (7)	35,700 (6)	*	25,000 (10)	24,300 (3)	23,000 (5)	35,100 (18)
CMA	36,400 (11)	36,200 (5)	36,200 (5)	*	*	*	*	*	36,500 (6)
Mgr., executive or partner	53,800 (2,346)	52,700 (1,811)	47,800 (1,217)	63,600 (388)	72,800 (117)	68,700 (328)	54,400 (96)	80,200 (149)	39,100 (205)
No master's	51,900 (1,479)	50,300 (1,164)	46,000 (810)	61,800 (236)	65,600 (66)	69,100 (206)	56,100 (54)	76,700 (102)	37,100 (108)
Neither	47,100 (919)	47,900 (814)	44,800 (575)	57,500 (153)	60,900 (46)	51,100 (27)	44,000 (9)	28,700 (3)	37,300 (77)
CPA	60,900 (529)	57,200 (320)	49,700 (212)	70,900 (80)	82,100 (17)	72,000 (178)	58,900 (44)	78,100 (99)	36,500 (31)
CMA	46,100 (52)	46,300 (47)	44,300 (38)	56,000 (4)	51,800 (4)	45,300 (4)	40,000 (1)	39,000 (1)	*
Master's D.	60,200 (645)	61,100 (471)	55,700 (289)	70,600 (119)	83,600 (36)	69,700 (93)	50,000 (31)	92,600 (36)	43,400 (80)
Neither	55,800 (354)	58,800 (298)	54,700 (188)	66,400 (75)	81,700 (18)	38,000 (14)	28,700 (6)	44,000 (2)	39,900 (41)
CPA	66,800 (253)	66,400 (143)	56,900 (84)	80,100 (38)	95,900 (14)	76,700 (76)	55,200 (25)	95,400 (34)	46,500 (34)
CMA	52,300 (73)	54,900 (49)	54,200 (25)	52,900 (12)	56,000 (8)	50,000 (10)	82,500 (2)	40,500 (2)	44,900 (14)

*No respondents for these categories.

A Dilemma in the Profession:

Should Additional Education Beyond the Baccalaureate Degree be Required?

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AICPA members will be asked in late Fall 1987 to vote on several bylaw amendments resulting from the *Report of the Special Committee on Standards of Professional Conduct* for Certified Public Accountants, commonly referred to as the "Anderson Report" [AICPA, 1986]. While there are many significant issues included in the report, the question of an educational requirement beyond the baccalaureate degree has prompted many inquiries from practitioners to their academic colleagues. The recommendations the AICPA membership will be asked to vote on are presented in the report, *Plan to Restructure Professional Standards* [AICPA, 1987], chaired by Marvin Strait.

Although each of the bylaw amendments proposed is important, and in some cases, controversial, many questions have arisen about the proposed amendment to require 150 semester hours of education. In the section "Requirements for Admission to Membership," the bylaw amendment that the AICPA membership will be asked to vote on is:

> [Persons] applying for membership after the year 2000 [must] have completed an educational program consisting of a baccalaureate degree or its equivalent and 30 semester hours of additional education. [Strait, AICPA 1987, p. 49][1]

[1]This statement reflects the changes in wording of the original bylaw amendment in the Strait report as voted on by the AICPA Council.

The intent of the bylaw amendment as presented in the Strait report is:

> . . . The adoption now of such a requirement is intended to reinforce the Institute's longstanding commitment to, and promotion of, the postbaccalaureate education program as a basic requirement for entering the profession; to encourage licensing jurisdictions to adopt such a requirement as a condition for licensing CPAs; and to encourage institutions of higher education to establish the required programs. [Strait, AICPA 1987, p. 45]

The proposed additional education clearly creates a dilemma in the profession. Many arguments appear on both sides of the issue, and new points seem to continually surface. In the paragraphs that follow, some of the points that are of concern to certain individuals in the profession, and which may not have occurred to readers in their consideration of the issue, will be discussed.

It is important to clarify that the AICPA bylaw amendment proposal relates only to the requirements for membership in the AICPA. The amendment would not impose the requirements on states, who have licensing authority. Also, the proposal would be effective after the year 2000, which would provide time for states to change their licensing laws if they deemed such a change is necessary.

Arguments for the proposal include:

- The requirement will send a clear signal to states that such a requirement is recommended by the profession.
- Preparation for a profession should include academic preparation beyond a baccalaureate degree, as is the case in preparing for other professions such as medicine and law.
- There is increased need at entry level for a broad general education, particularly in analytical thinking, problem solving, ethics and logic, and oral and written communication skills.
- The demand for a broader base of knowledge for entry into the profession is necessary because of the expansion of accounting theory, the increased complexity of business issues, the scope of services to be offered within the profession, and the increased numbers of specific standards.
- Many students who receive a baccalaureate degree recognize that the minimum hours required for graduation are not sufficient and are earning hours beyond those required.

Arguments against the proposal include:

- Some states might be motivated by the AICPA recommendation to alter their statutes to require the additional education, but there is no assurance that **all** states would do so.
- The present wording of the recommendation does not adequately indicate the desired direction of the additional hours. The most commonly cited needs heard by academicians from practitioners are for improved education in written and oral communications, in problem identification and decision-making, in ethics, and analytical skills. However, the proposed requirement may result in a bias toward additional accounting hours rather than general education hours.
- The recommendation does not address the question of when additional education is most appropriate and, importantly, most effective.

- While the recommendation is aimed at those preparing to sit for the Uniform CPA Examination, it is likely that accounting programs preparing students for entry into accounting positions in industry and government will also be affected. A four-year exit program for those desiring an accounting degree but not preparing for the CPA Examination and public accounting must remain.

If asked to characterize the reaction to this dilemma, the term ambivalent would certainly describe many AICPA members. However, it is important to remember that the vote of each AICPA member will be important and that no decision, which results in no vote, is not a professional choice. It is important that careful consideration be given to this issue. A dilemma — as difficult and perplexing as it may be — can be resolved with thoughtful consideration and the commitment to make a decision followed by the exercise of professional responsibility in the form of a vote. Ω

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Theory and Practice

Practice Monitoring

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Quality control over the practice of public accounting is a major issue for the profession today. Further, it is likely that quality control will undergo change based on the results of two outstanding sets of proposals. One proposal comes from the Anderson Committee, the other from the SEC.

Anderson Committee Proposal

The Anderson Committee Report (AICPA) was released in 1986. This report offers various recommendations, including not only changes in practice monitoring, but also modifications in the Code of Professional Conduct, a restructured Joint Trial Board, a 120-hour continuing professional education requirement (over each three-year period) for members in public practice, a 90-hour continuing professional education requirement (over each three-year period) for members not in public practice and not in retirement, and a post baccalaureate education requirement beginning in the year 2000. Each of the Anderson Committee proposals is being voted on separately by the AICPA membership, and the voting is expected to be completed by the end of the year.

The Anderson Committee Report presents various recommendations for practice monitoring or peer review, to be called quality review. First, all firms in public practice that have personnel who are members of the AICPA must participate in the SEC Practice Section (SECPS), the Private Companies Practice Section (PCPS) or a Quality Review program. Another Anderson Committee recommendation, which was rejected by a vote of the AICPA membership in the spring of 1987, was for all firms that audit one or more SEC registrants to be members of the SECPS. The consequences of a firm's not being a member of the SECPS was to be that the CPAs working for that firm would not qualify for AICPA membership. Shortly after this AICPA membership rejection, the SEC proposed rule changes which require peer review for auditors of SEC registrants. The SEC proposal will be discussed later.

The Quality Review program, still to be considered by the AICPA, would be structured similarly to the peer review programs of the practice sections. It would require triennial reviews. Reviews would be structured and conducted appropriately for the size and type of practice of the CPA firm, taking into consideration the formality of the firm's internal quality control system and the extent of its auditing and accounting practice. Results of the quality review would be monitored. Documents placed in files would be open to the public and would be the same as those filed at the close of a practice section review. Reviewed firms would pay the cost of the review and direct administrative costs.

The quality review must result in an unqualified, a qualified or an adverse report. The report would be examined by a subcommittee of the Quality Review Committee. Then, the entire committee would act on any recommendations of the subcommittee. Actions resulting from an adverse quality review report might include: requiring educational, corrective or remedial measures; referring complaints to the AICPA Professional Ethics Committee or to state CPA societies' ethics committees; and imposing sanctions if deficiencies are not corrected. The recommended structure of the Quality Review program would utilize the state CPA societies, as well as the AICPA, to administer the program.

An AICPA Quality Review Committee would set standards, organize or oversee quality reviews, analyze results, and recommend follow-up action. If the state societies agree to set up state level quality review committees, those committees would also organize or oversee reviews. These state committees would be required to coordinate with the national-level AICPA Quality Review Committee and adhere to its standards.

In the proposed Quality Review program, there are changes in the responsibility for investigating complaints about technical competence. The Quality Review Committee and practice sections peer review committees would investigate complaints against members and firms. The Quality Review Executive Committee would be responsible for action against firms that do not cooperate or that commit serious violations of technical competence. Action by the Executive Committee can result in denial of membership in the Quality Review program. The Quality Review program would establish due process procedures similar to those of the SECPS and PCPS for action against firms.

In summary, the Quality Review program envisioned by the Anderson Committee would be a structure for uniform peer review for those AICPA members in firms choosing not to join the SECPS or PCPS. Its structure and activities largely parallel those of the practice sections, with the exception of working with state CPA societies. One other major difference of the revamped program is that initially it would address only accounting and auditing engagements. Eventually, however, all areas of practice would be encompassed.

SEC Proposal

The SEC voted on April 3, 1987 [SEC, 1987], to propose rules requiring all independent auditors of companies reporting to the SEC to undergo a peer review covering their accounting and auditing practices. The rules, if adopted, will be enforced by changing the SEC definition of "certified" as it relates to financial statements. Financial statements included in SEC filings will be certified only if the auditor who examines them has met the peer review requirements and has a quality control system which is sufficient to reasonably ensure compliance with generally accepted auditing standards (GAAS).

The SEC uses enhanced audit quality as the primary justification for the proposal for mandatory peer review. Although peer review will not prevent unusual breakdowns of quality control, it may reinforce the accountant's commitment to maintaining good quality control. The SEC's regulations affecting the public accountants who audit registrants are intended to ensure that those accountants accept the high level of responsibility owed to the public and perform their work with the rigorous quality standards expected in SEC practice. The SEC takes the position that peer review helps determine whether an accountant's work conforms to these high professional standards. And assuming that peer review improves audit quality, the SEC believes peer review will increase benefits to the public.

Two sources for obtaining a peer review are set forth in the proposal. One such source is a person, team or firm, hired by the firm to be reviewed. In this case, the peer review will be overseen by the SEC. The second source for a peer review is one performed under the authority of a peer review organization (PRO). For a PRO to be "qualified," it must meet numerous specifications, and all PROs will be overseen by the SEC. For either approach to a peer review, the SEC has proposed various standards and transition period guidelines.

The activities described by the SEC for a peer review are basically the same as those currently conducted in a SECPS peer review. A review of the quality control system and a substantive examination of engagement files are both required. One issue, on which the SEC directly requested comment, is whether all contested audits, that is, those for which there has been an allegation that GAAS was not followed, should be mandatorily included in the sample of engagement files examined. The reason for including contested audits is that the examination of the files may provide information to the auditor that will help in doing future audits. If contested audits are always included in peer reviews, the risk is that the peer review workpapers, which are normally confidential documents, may become public information through court evidence and testimony.

The proposed reporting procedures are also similar to a SECPS peer review. A peer review report and letter of comments must be issued by the reviewer. The letter of comments will include anything that produces a "more than remote" possibility that GAAS have not or will not be complied with. The reviewed accountant must respond to the comments letter in writing. The report, the letter of comments and the response will be available to the public and will also be filed with the SEC. A major change in the required reporting will be the addition of a new responsibility for the PRO. The PRO must determine whether the reviewed firm's response indicates action, or planned action, that is appropriate for the deficiencies cited by the reviewer. If the firm's response is not appropriate for the cited deficiencies, the PRO must report this conclusion to the SEC. A reviewed firm that responds inadequately to suggestions for improvement could find itself the subject of SEC scrutiny, the result of which may be SEC refusal to accept financial statements audited by that firm.

As in all suggested "improvements" for the accounting profession, the SEC proposal has the potential for creating problems. The first of these is a reduction of competition. A large percentage of the CPA firms currently auditing SEC registrants are already members of the SECPS. For these firms, the adoption of the proposed rules will have little significance. However, opinions vary on the impact the rules may have for audit firms already having SEC practices but not undergoing peer review and for those firms wishing to expand their audit practices to include SEC clients. These firms will have to decide whether or not they are willing to enter into a peer review process. If they elect to accept the peer review requirement, there will be an economic cost,which may affect their competitive positions. If they reject the prospect of undergoing peer review, they will also be rejecting the population of SEC registrants as potential audit clients.

There are several responses to the concern about reducing competition. One is that most firms auditing SEC registrants are already members of the SECPS so the impact will be small. A second is that if a firm is not wiling to undergo a peer review, it should not be accepting SEC clients. This second response is based on the idea that when a firm is auditing SEC registrants, it is in the "big leagues" and must accept the responsibilities that accompany such activity. One of these responsibilities is to confirm that its accounting and auditing practice is governed by an adequate quality control system. To the SEC, the need for quality control and the willingness of an accounting firm to prove that it possesses good quality control seem to outweigh the possibility of limiting competition. There was, however, a request for comments on the possibility of damage to competition. The SEC's current stance mirrors a shift in concern; the Congressional investigations of the 1970s were very concerned about the Big-Eight firms' dominance of the industry whereas the intense concern now is ensuring quality audits.

Another anticipated complaint about the SEC proposal is the economic burden that mandatory peer review will bring. As can be expected, the main issue is the cost it will impose on smaller firms. Various estimates of average peer review costs are presented in the proposal, but at this point, the impact of the costs is unknown. Costs clearly relate to the competition issue. They also relate to the competency issue because the more quality control problems an audit firm has, the higher its peer review costs are likely to be. At the core of the concern is the belief that small firms may be faced with what they perceive to be excessive new costs, from not only the actual peer review fee, but also the preparation required for the peer review.

The SEC does not contest that there will be new costs incurred when firms that have not been peer reviewed in the past enter into such a program. Its position, though, is that the actual peer review fee should be the only new cost. Statement on Auditing Standards (SAS) No. 25 requires that appropriate quality control standards be in place to reasonably ensure that GAAS is followed. The SEC suggests that a CPA firm cannot meet the requirements of SAS No. 25 without having documentation of its quality control standards and an internal system for monitoring compliance with those standards. In other words, if a firm is already complying with GAAS, the only new requirement and cost imposed by mandatory peer review is the review itself. The implication is that if a firm is not already meeting the requirements of SAS No. 25 by formally assessing quality control issues, it should not be auditing SEC registrants. The opposing position is that a firm can meet the requirements of SAS No. 25 without having a written description of its quality control procedures or a formal internal monitoring system and that the development of these prior to undergoing an initial peer review can be very expensive. Although it appears clear that the SEC does not believe the proposed requirement will be excessively costly, direct comments on cost were requested.

Credibility is added to the greater concern for quality than for reduced competition and increased cost by the result of staff studies the SEC performed. The SEC's staff analyzed enforcement actions brought by the SEC between 1981 and 1986. A majority of these actions were brought against accounting firms which had not had a peer review at the time the problem audit arose. The actions brought against firms which *had* undergone peer review most frequently resulted from the handling of very complex transactions, rather than the general ways in which the audits were conducted. This might suggest that firms that are peer reviewed conduct higher quality audits. However, there is evidence to suggest that large firms undergo peer review more often than do small firms. Thus, an alternative conclusion is that larger firms may be able to conduct higher quality audits on SEC registrants as a result of being more experienced in auditing SEC clients. The SEC asked for comments on the two possible conclusions. A mandatory peer review requirement might lead to better quality control for smaller firms, thus leading to better quality audits. Alternatively, if size and experience are the real causes for fewer enforcement actions, then requiring peer review of smaller firms will not improve the situation at all. Further, in the latter case, if a peer review requirement makes the smaller firms less able to compete, then peer review may reduce small firms' ability to get experience and to grow, and thus to improve their audit quality.

A final major controversy on this proposed peer review requirement deals with CPA firms and clients which "grow up" together. Small CPA firms often comment on the inequity of a system which causes their best audit clients to change auditors as they plan a public offering because the clients believe Big-Eight audits carry greater credibility. It may be that the SEC proposal will exacerbate this situation. Assuming a CPA firm has not previously been peer reviewed, it must deal with beginning the process. And although entering the program might prove costly, the CPA firm must maintain a pricing structure that will encourage the client not to change auditors. Clients themselves may be burdened if they wish to stay with their current auditor but are forced to change because the firm refuses to be peer reviewed.

Aside from the question of whether mandatory peer review will have good or bad results, there is also the question of whether such a requirement is really necessary. A suggestion was previously considered, and then dropped, of requiring disclosure in SEC filing documents of whether a company's auditor has undergone peer review. The logic behind this suggestion is that if peer review is beneficial, clients will consider it as a major criterion in selecting auditors. The market, if informed, may determine the desirability of peer review. Ω

REFERENCES

American Institute of Certified Public Accountants, Special Committee on Standards of Professional Conduct for Certified Public Accountants, "Restructuring Professional Standards to Achieve Professional Excellence in a Changing Environment" (AICPA, 1986).

Securities and Exchange Commission, "SEC Release No. 33-6695: Comments Requested on a Proposal Rule Requiring Mandatory Peer Review for CPA Firms Certifying Financial Statements Filed with the SEC" *Federal Register*, Vol. 52, No. 69, p. 11665.

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Report of the Independent Auditor

Board of Directors
American Society of Women Accountants
American Women's Society of Certified Public Accountants

We have examined the accompanying statements of financial position of the Woman CPA at June 30, 1987 and 1986, and the related statements of revenues, expenditures and changes in fund balance for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of the Woman CPA at June 30, 1987 and 1986, and the results of its operations and changes in fund balance for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Kist, Bernhardt & Taylor

Kist, Bernhardt and Taylor
Cincinnati, Ohio
August 4, 1987

Financial Statements of *The Woman CPA*

STATEMENT OF FINANCIAL POSITION
June 30, 1987 and 1986

ASSETS	1987	1986
CURRENT ASSETS		
Cash	$ 9,023	$3,173
Accounts Receivable		
AWSCPA	—	1,832
ASWA	—	1,832
Advertising Revenues	112	180
Prepaid Expenses	45	563
Deposit for Postage	1,473	1,569
Total Assets	$10,653	$9,149

LIABILITIES AND FUND BALANCE	1987	1986
CURRENT LIABILITIES		
Accounts Payable	$ —	$2,586
Due to AWSCPA	1,949	—
Due to ASWA	1,949	—
Deferred Subscription Revenue	1,955	1,763
Total Liabilities	5,853	4,349
FUND BALANCE	4,800	4,800
Total Liabilities and Fund Balance	$10,653	$9,149

The accompanying notes are an integral part of this statement.

STATEMENT OF REVENUES AND EXPENDITURES
Years Ended June 30, 1987 and 1986

	1987		1986
	BUDGET	ACTUAL	
REVENUES			
Subscriptions			
ASWA	$22,820	$22,120	$21,261
AWSCPA	16,740	16,667	15,805
Complimentary	2,500	2,663	2,280
Other	4,850	3,523	4,545
Advertising	4,500	6,915	3,740
Interest Income	200	522	389
Total Revenues	51,610	52,410	48,020
EXPENDITURES			
Business Manager's Fee	5,800	5,800	5,800
Editor's Fee	1,500	1,500	1,500
Editor's Expense	200	—	316
Editor's Expense for Authorized In-Person Reporting	300	310	231
Editorial Board Expense	100	—	—
Insurance Expense	70	63	63
Computer Service Expense	2,000	2,000	2,016
Copyright Expense	40	40	40
Postage	7,500	6,500	6,834
Mailing Service	1,600	1,269	1,615
Printing	33,000	29,218	30,921
Stationery and Supplies	750	1,012	656
Media Kit	500	—	—
Telephone	500	185	444
Bad Debt Expense	—	—	250
Auditor's Expense	250	250	250
Registration			
Business Manager	300	295	260
Treasurer	300	—	260
Miscellaneous	50	70	228
Total Expenditures	54,760	48,512	51,684
Excess of Revenues (Expenditures) Over Expenditures (Revenues)	$(3,150)	$ 3,898	$(3,664)

The accompanying notes are an integral part of this statement.

STATEMENT OF CHANGES IN FUND BALANCE
Years Ended June 30, 1987 and 1986

	1987	1986
BEGINNING FUND BALANCE	$4,800	$4,800
EXCESS OF REVENUES OVER EXPENDITURES	3,898	—
EXCESS OF EXPENDITURES OVER REVENUE	—	(3,664)
CAPITAL CONTRIBUTION BY ASSOCIATIONS		
Receivable	—	3,664
Due to Associations	(3,898)	—
	$4,800	$4,800

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 1987

NOTE 1 — ACCOUNTING POLICIES

THE WOMAN CPA is a professional magazine which is published on a quarterly basis by the American Society of Women Accountants and The American Woman's Society of Certified Public Accountants. A policy has been adopted by both societies to maintain minimum but equal fund balances of $2,400 each, with contributions from each society to maintain said balances as necessary. At the end of each year, excess revenues or expenditures are to be allocated equally to each society.

The principal accounting policies which have been consistently followed by THE WOMAN CPA in preparing the accompanying financial statements are set forth below:

A) Revenue Recognitions

Subscription revenue is recognized when earned by quarterly publications of issues. Subscription revenue collections allocable to unpublished issues are maintained as deferred subscription revenues until issue publication.

B) Income Taxes

THE WOMAN CPA is a non-profit organization and thereby exempt from Federal and state income taxes.

NOTE 2 — RELATED SOCIETY TRANSACTIONS

All accounting, administrative and editorial duties are performed by officers and members of the two sponsoring societies. Fees for these services totaled $7,300 for 1987 and $7,300 for 1986. Reimbursements for out-of-pocket expenses connected with the performance of these services total $662 for 1987 and $1,329 for 1986.

For the years ended June 30, 1987 and 1986, THE WOMAN CPA received subscription revenues from the American Society of Women Accountants and the American Woman's Society of Certified Public Accountants in the amounts of $22,120 and $16,667, respectively, for a total of $38,787 in 1987 and $21,261 and $15,805, respectively, for a total of $37,066 in 1986.

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Volume 49, January 1987 through October 1987

AUTHORS

SUBJECT

The Woman CPA Manuscript Guidelines

Content

Articles should be relevant to the field of accounting with focus on accounting theory and practice, tax theory and practice, auditing, and other specialized areas related to accounting. Most of the articles should be of broad interest to accountants in public practice, industry, government, education and other fields, although some may relate to specific industries or techniques.

Wanted are more articles of a practical nature that offer guidance in complex situations, or help resolve questions arising in practice or offer insight to hidden problems. Articles should be of immediate interest or applicability although some space is dedicated to theoretical discussions.

Format

All manuscripts should be typed on one side of 8½" × 11" paper and be double-spaced, except for indented quotations, footnotes, and references. As a general rule, manuscripts should be as concise as the subject and research method permit. Margins should be at least one inch to facilitate editing.

The cover page should contain the title and author's name.

When not in lists, numbers from one through ten should be spelled out, except where decimals are used. All others should be written numerically. The manuscript should be written in third person and in non-sexist language. Articles by one author should not employ the editorial "we."

A helpful guide to usage and style is *The Elements of Style* by William Strunk, Jr., and E. B. White. It is published in paperback by Macmillan Publishing Co., Inc.

Length

Manuscripts of 2,000 to 3,000 words (eight to twelve typed pages) and no more than two tables are a good length. However, manuscripts should not exceed 4,000 words exclusive of tables or other illustrative material.

Headings

All headings should be flush left with the margin, with initial capital letters. Subheadings should be placed flush left with the margin, and underscored, with initial capital letters. If third-level headings are necessary, they should be indented the same as a paragraph indent, underscored, with only the initial letter of the first word capitalized, and followed by a period with the text following immediately.

Tables and Figures

Each table and figure should appear on a separate page and bear an arabic number and a title. A reference should appear in the text for each table or figure.

Literature Citations

Footnotes should not be used for literature citations. Instead, the work should be cited by the author's name and year of publication in the body of the text in square brackets, e.g., [Armstrong, 1977]; [Sprouse and Moonitz, 1962, p. 2]; [Hendriksen, 1973a]. Citations to institutional works should employ acronyms or short titles, where practical, e.g., [AAA ASOBAT, 1966]; [AICPA Cohen Commission Report, 1977]; [APB Opinion No. 15]; [SFAS No. 5]; [ASR No. 191]. If an author's name is mentioned in the text, it need not be repeated in the citation, e.g., "Armstrong [1977, p. 40] says . . ."

If a reference has more than three authors, only the first name and et al. should appear in the citation. In the list of references, however, all of the names must be shown. As indicated in the Hendriksen citation, above, the suffix, a, b, etc., should follow the year when the reference list contains more than one work published by an author in a single year.

When the manuscript refers to statutes, legal treatises or court cases, citations acceptable in law reviews should be used.

Footnotes

Textual footnotes should be used for definitions and explanations whose inclusion in the body of the manuscript might disrupt the reading continuity.

Numerous footnotes and citations do not necessarily make for a better article and are not an indication of thorough research.

Reference List

When the manuscript cites other literature, a list of references to follow the text must be included. Each entry should contain all the data necessary for identification. The entries should be arranged in alphabetical order according to the surname of the first author. Institutions under whose auspices one or more works without authors have been published should also be shown in alphabetical order. Multiple works by the same author(s) should be listed in chronological order of publication. Samples of entries are:

American Accounting Association, Committee to prepare a Statement of Basic Accounting Theory, *A Statement of Basic Accounting Theory* (1966).

American Institute of Certified Public Accountants, Report of the Study on Establishment of Accounting Principles, *Establishing Accounting Principles* (1972).

Sprouse, R.T., "Accounting for What-You-May-Call-Its," *Journal of Accountancy* (August 1966), pp. 45-54.

Submission of Manuscripts

Three copies of each manuscript should be submitted. Manuscripts should not be submitted elsewhere. Previously published materials should not be submitted.

Manuscripts should be sent to the Associate Editor, Manuscripts, as listed on the table of contents of each issue.

All persons submitting manuscripts will receive a letter of acknowledgement. Manuscripts are blind refereed and the process takes one to two months. Authors will be notified concerning acceptance, recommended revision, or rejection of their manuscripts. Manuscripts will not be returned unless pre-addressed, stamped envelopes accompany the submissions.

Acceptance rate is approximately thirty percent. The author(s) of an accepted manuscript will be asked to sign a "permission to publish" form.

The author(s) should include a brief biographical sketch (60 words or less) in paragraph form. See any issue for format. And, please, include your complete address and telephone number.